



**RE: Support of SB 673, Extension of the OBSOLETE PROPERTY REHABILITATION ACT**

BOMA members represent every aspect of the commercial real estate industry from building owners, building managers, real estate developers, and various suppliers including landscapers, roofers, janitorial services, utilities, construction firms and architects. We are primarily comprised of business owners who have made the choice to invest in Michigan. In Southeast Michigan the office market contributes 3 billion dollars in operational expenses to the economy and supports 27,000 jobs.

Obsolescence is a normal process which has greatly accelerated in the 21<sup>st</sup> century for a number of reasons: the way tenants use space, technology, and economic considerations coming out of the 2009-2012 market recession. According to a recent survey by the U.S. Energy Information Agency, 72 percent of floor stock in the U.S., or 46 billion square feet, belongs to buildings over twenty years old. Not only is the building stock aging but it is obsolete. Older office buildings generally have larger, pre-Web floor plates, which are usually unsuitable for modern, smaller companies, or simply not economically advantageous. These buildings are now facing stiff competition from their sleek, new eco-friendly competitors that are offering lower operating costs and modern conveniences. Older buildings may also lack the lighting, heating, cooling, plumbing and new state-of-the-art technologies that make newer buildings more attractive and commercially viable.

Obsolescence of commercial real estate is particularly burdensome on core communities. The urbanization of the workforce has led to a 'renovate or die' approach for owners of obsolete properties. For investors to hold the value of their assets and generate market-competitive rents they must be attractive to tenants.

The Obsolete Property Rehabilitation Act extension will continue to encourage investment in the aging buildings throughout Michigan. It is a voluntary agreement; a win/win proposition for developers and municipalities which encourages the use or re-use of existing building stock which will improve land and further contribute to the greater prosperity of the community, and greater utilization of existing infrastructure.

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